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EDITORIAL

It is with regret that we have to announce the sudden passing of our Secretary-Manager and Editor, Mr. Richard Dawson, R.I.A., F.F.C.S., F.C.I. (Eng.)

As it has been his custom for some years past to write the Editorial we are, as a mark of respect for him, discontinuing same for this issue.

The Late Richard Dawson, R.I.A.

Secretary-Manager
The Canadian Society of Cost Accountants & Industrial Engineers.
Secretary-Treasurer
The Society of Industrial & Cost Accountants of Ontario.

The President and Board of Directors of The Canadian Society of Cost Accountants & Industrial Engineers regret to announce the death of Richard Dawson, Secretary-Manager of the Association, Secretary-Treasurer of The Society of Industrial & Cost Accountants of Ontario and editor of "Cost & Management" at Hamilton on Wednesday, July 12th.

News of the passing of Richard Dawson, more affectionately known among his many friends as "Dick" came as a distinct shock to the President and members of our Society.

Mr. Dawson was born in Trails, Lancashire, England, on September 19th, 1890, and came to Canada in 1912. Shortly after the outbreak of World War I, Mr. Dawson volunteered for active service, remaining overseas and in the thick of battle until its successful termination. Returning once more to Ontario he was employed for a short time in the accounting department of Dominion Chain Company, Niagara Falls, and in 1920 he

entered the employ of The Hoover Company of Canada at Hamilton in the cost department, later to become chief cost accountant for that Company.

Mr. Dawson joined the Society shortly after its incorporation in 1920 and served for many years as Secretary of the Hamilton Chapter. In addition to being hard-working and energetic, he enjoyed the close friendship of his local Chapter members and members of other Chapters to whom he has spoken on the subject of cost accounting on numerous occasions. The esteem in which he was held by the directors and members of the Society came to the forefront when, in 1937, the office of Secretary-Manager was placed on a full-time basis and Mr. Dawson was unanimously elected to fill this important position carrying along with it the responsibility of preparing the material and editing of "Cost & Management."

Since Mr. Dawson's appointment the Society has made rapid advancement. The combined membership of all Chapters has more than tripled since he took office.

Mr. Dawson, along with a small group from Hamilton Chapter, conceived the idea of obtaining legislation in each of the Provinces with power to grant degrees to successful candidates and many of his friends in the Province of Ontario will remember his keen disappointment when the private bill was defeated in 1940 and it was largely due to his untiring efforts that the bill (in a slightly revised form) came before the Private Bills Committee early in 1941, at which time it was approved and received royal assent shortly thereafter. He was largely responsible for the revival of our Western Chapters and it has been said that he knew every one of the Society's members by his Christian name.

The story of Mr. Dawson's sudden passing is not generally known and a few particulars are given for his many interested friends. He was taken ill at the Society's annual meeting in Quebec City on June 30th. He received medical attention immediately and when it was found inadvisable for him to return by boat with the delegation from Toronto, Montreal, and Hamilton, the Committee was successful in obtaining plane passage for him from Quebec City to Montreal and over Trans-Canada Airways from Montreal to Toronto. Shortly after his arrival in Hamilton he was placed in the General Hospital for observation when it was decided that an operation for an old bladder condition would be highly advisable. The operation was successful although two or three days later he contracted pneumonia and passed away within a period of twenty-four hours.

Dick's interest in his fellow men was not confined alone to our Society as he was keenly interested in that grand old English football game, commonly known as "Soccer". He wrote a column in the Hamilton Herald and Hamilton Spectator on football for some 15 years.

It is difficult to know just how we can replace a man who has put so much into his job and the high regard in which our monthly publication is held may be attributed to the energy and foresight which the late Mr. Dawson brought to his work.

To Mrs. Dawson and his sisters the Dominion Society, Provincial Bodies, and all Chapters express their heartfelt sympathy in this sad bereavement.

H.P.W.

Across the Secretary's Desk

Another Annual Meeting has come and gone and once more we think of it as the best ever. It may seem strange to make a remark of this kind year after year but in connection with the Annual Meeting held at the Chateau Frontenac on June 30th, there were many features which differed from Annual Meetings held in previous years.

First of all a number of Ontario delegates travelled to Quebec by boat and took their wives along. Those who did not take their wives along had little cause to regret that fact, because there was plenty of the right type of company if they felt so inclined. It is not our business to say whether they took advantage of this situation or not and we can only leave this whole matter to their respective conscience. Joking apart, the trip was a tremendous success.

Out in the lake and on the river the weather was perfect. The food was good, the company was congenial and with the exception of two meetings of short duration, the whole of the time spent on board was a time for relaxation and play and everyone took full advantage of it.

On changing boats at Montreal, the Ontario boys met Eddie Loiselle, Don Patton, Percy Wright, Hugh Bacon and Randall Herron and the balance of the trip was just as enjoyable as the earlier part.

On the arrival at Quebec early Friday morning, the whole party registered at the Chateau Frontenac and immediately started out on a conducted tour through the famous shrine at Ste. Anne de Beaupre. Following this the party visited Montmorency Falls and had lunch at the famous Kent House overlooking the Falls and then back to the Hotel where the Directors held a meeting lasting most of the afternoon. After that came the Annual Dinner at which the wives of the delegates also participated, a really splendid talk was given by Paul Duchaine and after that the Annual Meeting which adjourned about 11.30.

It should be mentioned that on Friday afternoon while the Directors were in session, the ladies were taken on a conducted tour of Quebec City through the kindness of A. J. Dolbec, Paul Duchaine and Mr. and Mrs. Demers. They had afternoon tea at the University Club and enjoyed themselves immensely.

Following the dinner, some of the ladies danced, others just relaxed and certainly if the manner in which the Ontario and Quebec ladies got together is any criterion, unity in Canada is not far from being real.

On Saturday morning, the Directors again met while the ladies were left to their own devices.

The afternoon was comparatively free for everyone except "yours truly" who unfortunately was taken ill very early Saturday morning and had to have immediate medical attention through the day and returned to Montreal by air. After further medical attention in Montreal, I returned home by air on Sunday. For the benefit of those who have been so solicitous, please let me say that there is nothing very serious and I am writing these lines preparatory to entering hospital for a complete check-up later to-day and if considered necessary an operation.

COST AND MANAGEMENT

Before this column is read, I hope to be back at my desk feeling better than ever. It was unfortunate that my trouble occurred because I am afraid that my illness somewhat upset the delegates on Saturday and for the kindness shown me I can only say simply thanks.

I had intended to stay in Montreal for a few days for a series of conferences but the doctors would not hear of it, so I missed the trip to Montreal by boat and later the trip from Montreal to Toronto.

From what I have heard since, this return trip was something to remember. Harold Wright was the life of the party as usual and to say that the whole gang enjoyed themselves is putting it mildly. In any event, the whole trip is something that those who participated in it will never forget and I rather think that from now on the ladies will be an integral part of these annual gatherings.

I am very much afraid that due to my illness I had no chance to congratulate the newly elected officers. Eddie Loiselle is the new President, Walter Furneaux, the 1st Vice-President, Minto Ausman, 2nd Vice-President, Alvin Tupper, Edmonton, Honorary-Treasurer and Jim Tennant of Windsor, Honorary-Secretary.

To these grand fellows, I send my most sincere congratulations and those of you who know these fellows as well as I do will realize with me that the future of our Society is in good hands.

Now for a sojourn in hospital, darn it, and I hope it will be brief.

R.D.

We would draw our readers' attention to the fact that this article was completed by Mr. Dawson immediately after his attendance at the Dominion Society Annual Meeting held at Quebec City, June 30, 1944.

Consequently, and in respect for Mr. Dawson, we are printing same as written.

A Tribute to The Late Richard Dawson

(From The Society of Industrial and Cost Accountants of Ontario)

One of the strangest things of life is that we often do not realize the true worth and high qualities of many of our finest citizens until they are called by death. Particularly is this true of that great throng who live their lives simply, unostentatiously and kindly but devoted always to their daily duties and to the advancement of the ideals and interests of the organizations with which they have been associated. It is only when they are not to be found in their accustomed places that we recognize the great void which is caused by their passing.

Such a person was the late Richard "Dick" Dawson, the man who was largely responsible for the success which has come to our Society. Accepting the position of Secretary-Manager of the Dominion Society at a time when its future was in doubt, he showed courage and foresight. The extent of his courage and the soundness of his foresight has been amply demonstrated time after time in the years that have followed. Only those who have been privileged to work with him can understand the difficulties which presented themselves in the building of the Membership and prestige of the Dominion Body to the point where application for Private Bills in the individual provinces could be justified. The securing of these Bills in the Provinces of Ontario, Quebec and Alberta required tact, patience and organizing ability coupled with firm determination. These traits "Dick" had in abundance and on many occasions they were demonstrated in a manner which has brought credit to our organizations.

Besides being a consistently loyal and faithful worker for our Societies he was much more than a business associate to those who knew him better. He was a true friend whose word was his bond and our respect for him continued to grow and grow as the months and years rolled by.

A trait that will be long remembered was his kind and sympathetic manner in dealing with the young men and women whom he enrolled as Students in our Society. His life, of recent years seemed to hinge about his trying to put young people on the path where they could most improve themselves, and I am sure there are many who will be forever grateful for the advice and encouragement which he was so accustomed to freely offer.

"The deeds men do live after them," is an old axiom forever true and so I believe that the tribute that "Dick" would most desire is just that all the Officers, Directors and Members of our Affiliated Societies continue to give to whomever may be his successor in office our continued loyal, consistent and unstinting support so that we may continue to grow and prosper and become that garden of opportunity for youth in the Industrial world that "Dick" had for so long hoped and dreamed of and had worked so hard for.

H. M. HETHERINGTON,
President.

New Members

Hamilton

T. Kirby, Massey-Harris Co. Ltd., Brantford.
T. Strang, Canadian Westinghouse Co. Ltd.

Calgary

Sgt. J. G. Dunn, R.C.A.P.C., Calgary.
Sgt. J. L. Campbell, R.C.A.P.C., Calgary.

Edmonton

S/Sgt. P. Hawkins, Area Commandant's Office, Edmonton.

Windsor

D. K. Douglas, Canadian Bridge Co. Ltd., Walkerville.
L. Patterson, American Pad & Textile Co. Ltd., Chatham.
H. Richards, Treasury-Cost Section, Windsor.
J. C. Dagneau, Aircraft Hydraulic Supplies Ltd., Windsor.
A. P. Ford, Auto Specialties Mfg Co. (Canada) Ltd., Windsor.

Non-Resident

E. B. L. Tomlinson, F.F.C.S., F.R. Econ. Soc., Falmouth, Jamaica, B.W.I.

Personal Notes

Congratulations to R. H. "Harry" Metcalfe who has recently been appointed Vice-President and Comptroller of the Massey Harris Co. Ltd., Toronto.

Congratulations also to Paul Pratt, member of the Hamilton Chapter, who has recently been appointed as District Sales Manager for Toronto and Western Ontario, Remington Rand Ltd.

Back Numbers Wanted

The following back numbers of Cost and Management are urgently required:

April, 1929	April, 1930
June, 1929	May, 1930
Sept., 1929	July, 1930

Any member who can spare any of the issues listed is urged to mail same immediately to the Secretary.

LIBRARY BOOKS ON LOAN

ALL MEMBERS WHO, AT THE PRESENT TIME, HAVE LIBRARY BOOKS ON LOAN, AND WHICH HAVE BEEN OUT OVER THE USUAL 30-DAY PERIOD, ARE ASKED TO RETURN SAME TO THE OFFICE AS SOON AS POSSIBLE.

E. J. LOISELLE, L.C.M.I.

Canadian International Paper Company, Montreal.

Newly Elected President

The Canadian Society of Cost Accountants & Industrial Engineers.

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Windsor, Ontario

Cost Accounting and Stock Control in the Australian Tanning Industry

By WILLIAM G. WATTS, A.F.I.A., A.A.I.S.

(Reprinted from The Chartered Accountant in Australia.)

[We are indebted to Mr. John Cuttle, managing director of John Bayley & Sons Pty., Botany, N.S.W., and to Mr. William Watts, secretary of the company, for a treatise on the above subject. Chapter I is published in this issue, and the remaining five chapters will appear in following issues.

Mr. Cuttle, in a foreword, says:—

"Having had over forty years' business experience, I have seen much evidence of the lack of proper costing records. This has caused unsound competition and resulted often in financial disaster.

Although there are many books on costing systems in general, there appear to be few, if any, relating specifically to the Tanning industry.

What is needed is a concise book of reference dealing with the complexities of costing records in a composite tannery, and the problems that confront the person installing, accounting, or auditing, a costing system therein. It was with this idea in mind that I suggested to the secretary of our company that he write such a treatise.

It is realized that the circulation must be very limited, there being approximately only 150 tanneries operating in Australia. The work was therefore undertaken solely with the object of contributing something to the industry, and it is hoped that it may be the fore-runner of other like contributions."

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and
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- Summary of Raw Stock Purchases, Weights and Yields and Current Cost Sheet.
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- The Meaning, Calculation and Recording of Interest.
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PREFACE

The purpose of this treatise is an attempt to present in language and form that may be understood by all who read it a costing system applicable to the Tanning Industry of Australia. The inadvisability, and, in fact, the impossibility of dissociating stock control, raw stock records, and some measure of financial accounts from the subject is obvious, hence the title, "Cost Accounting and Stock Control in the Australian Tanning Industry."

The beginning is simple and the facts are presented in easy progressive stages with the object of outlining a general system which can be expanded as desired. It is written in the hope that it will benefit members of the industry as a whole, because its readers will not all be Cost Accountants and exponents of a subject which is a highly specialized science.

The work has been made possible by the invaluable assistance given to the writer by members of the company of Messrs. J. Bayley & Sons Pty., Ltd., tanners and fancy leathers dressers of Lord Street, Botany, N.S.W., and was written at the request of the managing director of the company, Mr. John Cuttle.

CHAPTER 1.

General Description of Tanning Processes

In any work on costing it is necessary to give a general description of the nature of the industry and outline broadly the various manufacturing processes to which the costing system is to be applied. The tanning of harness leather, belting leather, upholstery leather and reptile skins is not being dealt with. We are concerned only with dressed and upper leathers from cattle hides, dressed leather from skins of calf, goats and sheep, and also sole leather which is manufactured from heavy weight cattle hides.

The processes that take place in a composite tannery will be outlined very briefly, and, in order to do so without introducing too many complications—for this is a work on costing and not on tanning—we have selected the manufacture of dressed and upper leathers from hides as presenting an excellent opening illustration.

Heavy Hides and Light Hides

In the first place hides are received into the hide store in a green salted condition, and in the case of a large organization having its own cold store, stocks of these raw hides would be stored in the cold store chambers which should be within the hide store itself.

The invoiced weight is compared with the net weighbridge weight which the carter brings in with the hides and are recorded by the hide store foreman from the weighbridge ticket and duplicate invoice, in a record book kept in the hide store for this purpose.

When hides are processed immediately these records are fairly reliable, but it is found that when hides have been placed in cold store or kept in stock for any length of time a certain amount of dehydration occurs and in consequence the weight records lose their value as the hides have to be re-weighed before going into process and have, by this time, lost their identity, because they are sorted into packs of fairly even weight, that is to say, packs of 23/27 lb., 28/32 lb., 33/37 lb., 38/44 lb., and 45 lb. and over. After weighing and liming they are tagged on the butt with a stamping machine. Those hides weighing 45 lb. and over, known as heavy hides, are kept apart for the manufacture of sole leather, whilst those from about 23 to 44 lb., called light hides, are set aside to produce dressed and upper leathers. The 23/44 lb. hides are sorted either in the limed or the pickled state, for the manufacture of special types of leather, according to which they are most suitable. It is these light hides that we are now considering.

Sides

Packs of approximately 50 to 80 hides are placed in separate paddles to soak, after which they are limed, trimmed of shank and neck, and cut down the back from head to tail, thereby producing two sides from each hide. From this point onwards they become known as "Sides." The sides are put in vats containing a mixture of lime and sodium sulphide which removes the hair; they are then fleshed either by hand or machine to remove superfluous flesh. From there the hides proceed to the Beam-house, where they are washed, split and bated, from whence they go into the Chrome Department to be tanned. The process of splitting is one whereby each side is put through a splitting machine and split into two thicknesses, the top or grain part being known as the side and the bottom part or flesh is called the split.

The flesh parts are manufactured into several different grades of splits, according to their quality, such as chromed splits, suede splits, etc., and, although essentially a by-product of the hide and suitable only for cheap work, the demand usually exceeds the supply and accordingly they are a valuable by-product.

The grain part, or side as it is called, is now tanned in a revolving drum, after which it is shaved on a shaving-machine, a process which shaves it down to a uniform thickness, according to the desired gauge set by the operator of the machine. When tanned, the sides are again sorted according to the type or grade of dressed and upper leather, for which it is now possible to see they will be most suitable. After sorting they are first dyed and then set-out (i.e., put through a squeezing machine which rids the leather of surplus water and leaves it in a fit condition for drying); then they are dried, damped down in sawdust and then staked on a staking machine which softens and makes them pliable. After this they are strained or toggled, a process whereby they are stretched tight, leaving the leather in a flat, smooth condition ready for finishing.

Before passing on to a description of the finishing stages it might be mentioned here that a fair average yield of hides manufactured into black and coloured upper leathers is as under:—

23/27 lb. = 120% to 125%
28/32 " = 110% to 115%
33/37 " = 105% to 110%
38/44 " = 100% to 105%

Yield means the number of square feet of leather which is yielded per one lb. of hide, e.g., a 25 lb. hide may make 30 feet of leather, in which case the yield—expressed as a percentage yield would be

$$\frac{30}{25} \times \frac{100}{1} = 120\%$$

Patent, which is a lighter average weight leather, produces a higher yield from the same weight of hide.

It has been borne out in practice that insufficient care in buying has, in the past, been given by tanners to the purchase of the right kind of raw material. Fat, wet, badly trimmed and scored hides all have a bearing on the final yield and grading of the finished leather, and the industry

has proved since Hide Appraisement, introduced during the war, that it pays to buy good hides.

Most tanners, even if they do not possess their own cold store, find that they have to buy up hides in season when available and have them sent into cold store where they will not deteriorate. It will therefore be appreciated that, due to the loss of weight that takes place and the impossibility of keeping individual purchases separate, and the sorting up into packs that takes place before the hides are processed, it is the average weight of these packs in which we are interested, and not the weight of specific individual purchases. Consequently, from the accounting point of view, it is the average purchase price of hides over a given period that concerns us and is more useful to us than specific individual purchase prices. This will be dealt with more fully later on under another heading.

It is not possible, or even necessary, in a work such as this to follow through the finishing processes of all the numerous classes of side leathers which are turned out in a composite tannery, but we will select one line, a tan side upper leather, and follow its passage through the finishing department.

After the straining or toggling operation the upper leather tan sides are trimmed (by girls) with hand shears, then coloured with a mixture of pigment and dye solution which, when dry, receives a coating of albumen solution to fasten the colour. They are again dried, after which they are glazed or polished on a glazing machine with a glass-roller device. The colour is then treated to prevent it rubbing off, after which it is again glazed, grained and lightly ironed.

The final process of manufacture is that of measuring. This operation also is performed by girls—two girls to a measuring machine—the leather being passed through the machine from one side to the other, the machine recording the measurement in square feet (to the nearest one-fourth of a square foot) on a dial from which it is head and marked in crayon on the back of the leather.

From the measuring machines the finished leather is taken into the warehouse, where it is sorted into numerous appropriate grades and classifications, and is then made up into bundles, usually of from one to two dozen skins, the total measurement being marked on the outside of the bundle. This applies to all leather sold by the square foot, and, with very few exceptions, dressed, and upper leather is all sold by the square foot.

Sole Leather

Upon entering the Sole Leather Department from the Beamhouse, the heavy hides are first weighed and then thrown into pits of cold water or strung over sticks in pits containing water and allowed to soak overnight to remove surplus alkali and plump up their normal thickness, lost through mechanical processes in the Beamhouse. The water is then drained away, the pits refilled and the hides gently rocked in a weak acid bath to remove surface alkali before transfer to the tanning pits. It is customary to place the sticks and their attached hides on frames (called rockers) which are fastened to the tanning pits, and by means of which a gentle agitation is imparted to the hides and liquors. Hides may remain in the rockers from a week to several months, according to the tannage required. The tan yard

is generally arranged so that the hides, whether they remain in the one pit or are transferred to others, receive tanning liquors of regularly increasing tannin content until they are judged sufficiently tanned. To further increase the fixation of tannin the general practice is to place the hides in tanning drums with fairly strong, warm tanning extract. Following the drum-tanning, the hides are drained or mangled to remove excess liquor and enable them to absorb the loading mixture peculiar to the particular tannery. If the bellies have not been previously removed, this is generally done now and the side rounded, that is, cut into bend, belly and shoulder. A loading mixture, which as a rule consists of glucose, tanning extracts, bleaching extracts, Epsom salts and various oils, is applied in a fast moving drum and the leather then dried slightly, set out by machine, and further slowly dried and rolled. In the rolling process the leather, in a suitably moist condition, is consolidated by repeated passage between brass rolls under heavy pressure. The leather is then stove dried, weighed off, and sorted into various grades.

Two bends, two shoulders, and two bellies are obtained from each hide, and are sold at so much per lb. of leather, according to grade.

Calf

The raw material for the manufacture of calf leathers originates from the various States of the Commonwealth. One of the important factors in calf leather raw material costings is to buy, not necessarily, on the cheapest market, but to buy raw material which will give the best results in finished leather and return the highest yields. Raw material from one State may yield a considerably better measurement than raw material from another State. The percentage yields vary perhaps from 150% in one State down to 125% in another State, due to meaty, and badly trimmed skins, whilst ticky, cut, badly flayed and grassy skins all affect the quality of the ultimate finished leather.

The buying season for calf is from about September to January, and, as in the case of hides, those which are not immediately processed are rolled and placed in cold store.

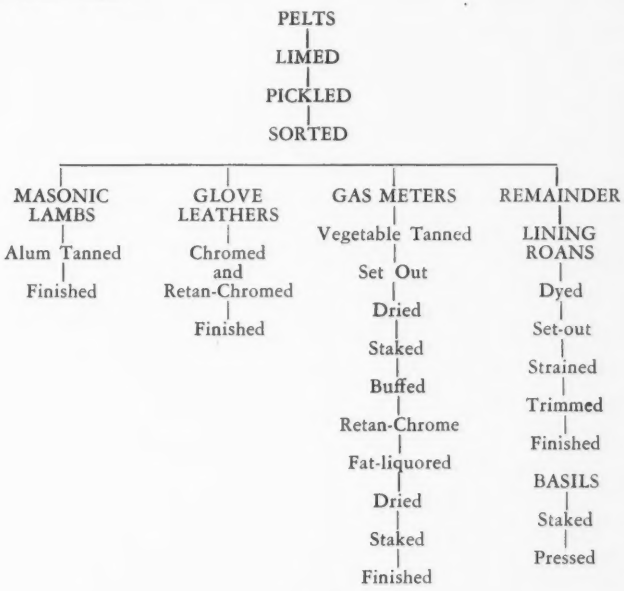
Before soaking and liming, the skins are weighed up in packs. After liming they are bated, pickled and tanned; after tanning they are set out and sorted to make various lines of calf leather. The desirable types are sorted for various colours, whilst skins defective on the grain are processed for suede, calf, and printed calf leathers. After the sorting process the leather is neutralized, dyed, and fat-liquored, set out, dried staked and strained on boards or machines, after which they are trimmed, finished, and measured as in the case of side leathers.

Sheep Leathers

Sheep leathers are made from sheep or lamb pelts; a pelt being the name given to the animal's skin after removal of the wool by a liming process which is done by fellmongers. Pelts are purchased either in a limed condition or in a pickled state. After pickling the pelts are sorted; the high-grade ones being set aside for the manufacture of Masonic lambs, glove leathers, and gas meter leathers, the remainder being vegetable-tanned, after which they are known as basils. It is from the basil state that the various types of lining leathers are obtained, such as lining roans, hat-

band roans, water-pigment and lacquered glazed roans, and suede roans, etc. Those basils which are unsuitable for lining purposes are merely staked and pressed and sold as basils.

The following diagram, or floating chart, serves to illustrate the above, as well as to show clearly the various processes that may eventuate from the "pelt" origin:—



Kid

Goatskins are used for the manufacture of glace kid. They are imported from India in a dry-salted condition. Owing to their hard nature they require a thorough soaking and liming. After removal of the hair (which by-product is usually sold to felt manufacturers) the skins are washed, de-limed and bated. Bating consists of a warm bath and an enzyme in conjunction with wood-flour and ammonium chloride which imparts a softening effect. They are then pickled and chrome-tanned. After tanning they are sorted for colours, blacks, linings and suedes, then shaved, dyed, fat-liquored, set-out, hung-up and dried, and are later damped-back, staked and finished.

Each shipment of goatskins is costed as soon as the relative documents come to hand. The original or basic costing of the raw material would be made up somewhat as follows:—

Indian Goatskin Coy.

50 Bales ex s.s. "Querimba." (Date.....)
25,000 Special Goatskins.

	Cost per Skin		Total Amount		
	s.	d.	£	s.	d.
Invoice value 43½d. C.I.F. Stg.	3	7½	4,535	19	10
Exchange @ 25%		11	1,156	13	7
(Australian)	4	6½	5,692	13	5
Duty		2½	264	12	3
Marine and War Risk Insurance		5½	560	8	2
Handling charges			3	5	9
Total (Australian) Landed Cost	5	2½	£6,520	19	7

During the same month there may be several shipments received. We will assume that one other shipment was received consisting of 10,000 skins, the land cost being A.£2,531/2/6 or 5/1 per skin. The totals in the Purchase Journal, goatskins column, at the end of that particular month would then read, "35,000 skins, £9,052/2/1," and would be recorded in the "value" section of the Raw Stock Record Book for that month as follows:—

	Upper Kid Leather			
	Dozen.		Price.	Amount.
Purchases	2,916.—	8 12	62/-	£9,052 2 1

Splits

No hard and fast rule can be laid down regarding the quantity and cost of split that will be obtained from hides. This depends on several factors, including the kind of split being made, the classes of leather being made, the type and weight of raw material being used, and at what stage of manufacture the hide is split.

Broadly speaking, splits are of two classes: (a) Rough-tanned and (b) dressed chrome splits. Rough-tanned splits are split at the beamhouse stage and are afterwards merely rough-tanned somewhat in the same manner as basils. The tanning wages and materials expended thereon are very small items. The production cost for this class of split is in the vicinity of about sixpence per foot. Dressed chrome splits come into being at the chrome stage and can therefore be produced from a lighter split than would be possible at the Beamhouse stage.

In the main there would be no split worth processing from anything lighter than a 28 lb. hide; nevertheless a split may sometimes be obtained from a 24 lb. hide, whilst on the other hand a "sheety" 30 lb. hide for instance may not throw any split. Then, again, the class of leather being made affects the position; e.g., when buck patent, which are light weight leathers, are being made the split is usually good, whereas if military kip or other heavier types of leather are being made there is no split of monetary value obtained.

The basis of costing usually adopted is as under:—

Cost of 1 Hide (say) 36 lb. @ 6¾d.	£1	0	3
Wages (say)		6	4
Tanning Materials (say)		3	6
	£1	10	1

Less production cost of finished split:			
¼ foot to 1 lb. of original hide weight, i.e., ¼ of 36 = 9 feet @ 6d. per foot		4	6
Production Cost of 1 Hide	£1	5	7

This is ideal where only rough-tanned splits are being made, but in the case of dressed chrome splits the lighter the class of leather being made the heavier the split, which factor is not taken into account. For instance, a 32 lb. hide making tan side upper leather may throw an 8 foot split, whilst the same hide making patent leather may throw a 9 foot split. The difference is, of course, very small, and, after all, whatever method is applied, it must of necessity be only arbitrary. Whatever price is decided upon as being the value of the raw material, the cost so applied to the splits is correspondingly deducted from the cost of the side leathers from which the splits were obtained, so that the determination of the value is not a tremendously important matter.

In the case of dressed chrome splits, it will in practice be found convenient and satisfactory to fix an arbitrary all-round value on the raw material (usually about 2/- per side of split) which figure, after adding the appropriate wages and tanning materials cost gives the production cost to be deducted from relative side leathers. This cost, after inclusion of oncost, allows a reasonable margin of profit on sale.

Departments.

The main departments of a composite tannery are known as:—

Beamhouse.
Basil Tannery.
Chrome.
Finishing.
Patent.
Sole Leather.

Of these, the Patent Leather Department and the Sole Leather Department are from a point self-contained, producing only as their names imply, patent leather and sole leather respectively, whereas the other main departments are divided into several sub-departments wherein various processes are carried out in connection with the production of a variety of different lines.

A composite tannery would produce most, if not all, of the following lines, viz.:—

Sheep Leathers:
Masonic Lambs.
Glove Leathers.
Gas Meters.
Lining Roans, Coloured Roans, Suede Roans, etc.
Basils.

Side Leathers:
Black Sides, Tan Sides, etc.
Military Kip.
Buck.
Patent Leather.

Splits.

Yearlings:

Calf:

Tan and Box Calf.
Shoe Calf.
Suede Calf.
Lining Calf.

Kid:

Black and Coloured Kid.
Moroccos.
Lining Kid

Sole Leather:

In order to present a comprehensive picture of these lines of leather passing through the various departments, each respective line is shown hereunder under its relative department and sub-department. This detail is not presented in the form of a floating chart; as too much space would be required.

Beamhouse:

Pelt Pickling: Liming: Fleshing: Trimming: Splitting:

Pelts.
Sides.
Yearlings.
Calf.
Kid.
Heavy Hides.
(Sole Leather).

Basil Tannery:

Pelt Sorting: Degreasing: Basil Tanning: Basil Hanging:

Basils.

Chrome:

Sheep Leathers: Chrome and Dyeing Shop: Shaving: Setting-Out: Dried-Out & Preparation: Staking: Straining: Toggling: Military:

Masonic Lambs.
Glove Leathers.
Gas Meters.
Lining, Coloured and Suede Roans.
Military Kip.

Patent Department:

Patent Leather.

Sole Leather:

Sole Leather:

Bends.
Bellies.
Shoulders.

Finishing:

Buffing: Fluffing: Glazing: Pressing: Staking: Graining: Spraying: Trimming: Tables: Measuring:

Every line pass through this department with the exception of:—

Patent Leather.
Sole Leather

Buck.
Side Leathers.
Yearlings.
Calf.
Splits.
Kid.
Patent.
and
Masonic Lambs.

(To be continued.)

30th Anniversary

MR. OSCAR ST. PIERRE

Co-proprietor, Director and Secretary-Treasurer of La Cie J. B. Rolland & Fils, Wholesale paper dealers of Montreal and Quebec, who has completed thirty years' service with the company.

Report of Dominion Educational Committee at Annual Meeting at Quebec City

JUNE 30th, FOR FISCAL YEAR

ENDED APRIL 30th, 1944

I have the honour to present the report of the Dominion Educational Committee for the year ended April 30, 1944.

Student enrolment has increased both for the lecture courses, and the correspondence courses, and the number of examinations written in Ontario was 100% higher than last year. The Quebec standing is about equal to last year and we are pleased to note that Alberta and British Columbia are now represented. The following is a record of student enrolment in the Society's sponsored courses and the number of examinations written this year:

	Student Enrolment	Examinations Written
Ontario	174	184
Quebec	41	71
Alberta	1	1
British Columbia	2	9
Outside Canada	1	1

Twelve theses were written, ten from Ontario and two from Quebec. If successful, these twelve candidates will be presented with their degrees at our opening meeting next session.

I believe it would be well to outline briefly to you in this report, our educational plan, and to explain how it operates throughout the Dominion. Because education is under provincial jurisdiction, our authority to grant degrees must come from the provinces through separate provincial Incorporations. We now have these powers in the provinces of Quebec, Ontario and Alberta. The setting of the courses, conducting the examinations, and granting the degrees is controlled by educational committees in each province. Representatives from each province appointed by the president at the annual meeting comprise a co-ordinating committee whose duty it is to standardize the courses and examination papers throughout the Dominion. This committee is in constant touch with our Secretary-Manager on educational matters, and is required to hold meetings at least twice a year. Our courses with examinations are available to residents of all provinces. Degrees, however, can only be granted in those provinces wherein we are incorporated. Elsewhere we grant certificates of proficiency stating that the candidates have passed our standard examinations and have met our requirements. Examinations are held simultaneously at all provincial points at the same date and hour.

We have now completed working arrangements with l'Ecole Superieure de Commerce of Laval University in Quebec City and are conducting courses and examinations in the French language.

The Ontario Society is at present conducting negotiations with the universities of that province for a reduced course fee to those who enroll through the Canadian Vocational Training Authority, which looks after

the rehabilitation of discharged soldiers. This is a step which I am sure will be followed by our society in other provinces as it is an important move toward the fulfilment of our post-war responsibilities.

Education is a tangible thing. The degree R.I.A., or L.C.M.I., is a valuable asset to each member of our society who obtains it. We have a strong educational policy and our standard is high. We are looking ahead to the future and only by jealously guarding our high standard and by maintaining our strong policy in the education and development of our students can we fulfill the obligations of our profession and make our full contribution to the greater efficiency of industry and business, and thus to the welfare of the nation.

Submitted on behalf of the Dominion Educational Committee, whose members are: A. G. Howey of Hamilton; D. R. Patton and P. W. Wright of Montreal; A. J. Dolbec of Quebec City; R. Dawson, Secretary-Manager of the Society and H. M. Hetherington of Toronto, Chairman.

P. W. WRIGHT,
Associate Chairman.

Post War Accounting Procedures

By PHIL GLAZIER, A.M.I.E.T., F.A.S.A.

To be ready to handle adequately the post-war problems of cost accounting, it will be necessary to correct a few fallacies that have developed. Some of the fallacies are held by management as well as the cost accountants. Management has failed to accord cost accounting its proper place in the administration of a business.

Conception of Cost Accounting Too Narrow:

Too many in managerial positions have held an erroneous conception of cost accounting. Too often the cost accountant is thought of only as a clerk who tabulates the amount of material and labor that has been spent on an order and then adds overhead at some predetermined percentage of labor (a percentage some one else has told him to use) and obtains a figure called the cost of the order. As long as the managerial group thinks this is all there is to cost accounting, that is the kind of cost accounting they will get.

Then there is the conception of cost accounting that goes to the other extreme. A great part of management as well as the general public, has the notion that a good cost accountant can ferret out inefficiencies, reduce operating costs, improve plant layouts. He can in fact make a successful business out a failure, if only the right kind of a cost system is put in, or proper use of the reports are made that the cost system will insure the automatic success of a business. This is a very dangerous attitude for management to have. It is shirking its own responsibility for failure to manage and blaming some one else for such failure. Furthermore, no system ever existed, or cost accountant ever lived that can satisfy such expectations.

Some of the blame for these fallacies will have to be shared with the cost accountants. They have not been any too well agreed among themselves on what their job should be. They have confined themselves to

merely getting the cost of an article (the expenditures for an article) and neglected the many other fields where costs are also involved.

The general accountant or chief accountant, the controller, and even our schools of commerce, hold a view too narrow in regard to cost accounting. From these sources come many of the fallacies now held by the public and management. Too often it was believed that the general accountant possessed superior knowledge in all branches of accounting; or that cost accounting was only a small part of accounting, and therefore all that the cost accountant could possibly know was how to determine the cost of an article.

On the contrary, general accounting, (usually mis-applied) is the smaller part of accounting. The most vital branch of accounting for all business is COST ACCOUNTING. General accounting deals mostly with where and how to show the figures on a balance sheet. The profit and loss statement, and all related statements are cost statements. Cost accounting embraces the records and procedures which provide the figures for these statements. No chief accountant, controller, or other chief accounting officer should feel he is qualified for his position unless he has had broad training and experience in cost accounting. In other words, the next advancement for the chief cost accountant should be chief accountant, then controller. The controller should be recognized as a major officer on a basis that is equal to that of any officer other than the chief executive himself.

During the war, cost accounting has not even maintained its gains. Because of erroneous notions regarding what views government agencies might have toward the newer trends, some few accountants even sanctioned retrogression.

Some may feel the author is assuming a bad condition in general based on his own imagination. However, this is not the case. Recent statistics indicate the condition to be real. Last spring a survey was published. This survey showed that only 28% of the companies reporting—40 out of 143—used some form of cost accounting for control (called standard cost accounting).

Probably not all of the 28% have real cost accounting for control because often the standard cost accounting is only a name tacked onto something that has all the appearances of it but doesn't function as such.

There are the field men, or cost examiners, working for the various government agencies, such as the Department of Munitions and Supply, who quite generally report an appalling lack of any cost accounting, or even good accounting in industry. Through their contacts this condition is made effectively apparent. Therefore, in those instances, there is a stimulation of activity for better cost accounting and better methods. Hence, out of the war, there should come some improvements, to say the least.

If cost accounting is not prepared for the tasks ahead and, as revealed by government agencies, there is such a large percentage of business where it is almost totally lacking, what is to be done to remedy this situation. It is the hope that the problem will be pointed out so it will be recognized and a few suggestions made which may help lay the ground work for its solution.

What Cost Accounting Should Be:

First, cost accountants should fix firmly in their minds that the purpose

of cost accounting should be to provide the methods that will control operating costs first, last and always—cost accounting for control. Second, business can never be expected to go any place without selecting a desirable place to go (profitable), and then planning how to get there.

Planning means looking ahead, not back, or in other words, forecasting and budgeting.

Getting there means control and control means skillful steering, or directing along the planned course.

Control requires measurement of all phases of performance. Measurement requires something to measure with—a rule or standard.

Therefore, cost accounting for control should embrace the application of standards, forecasts and budgets to the entire business. That is cost accounting as it should be.

This implies standard cost accounting and not actual cost. It means real standard cost accounting and not just a plan carrying the label.

Some may raise the question as to how far this kind of cost accounting can be applied. Some may not be manufacturers. It makes no difference whether the basic activity is manufacturing or merchandising, for cost accounting still applies. Every kind of business activity involves costs, from the time commitments are made to purchase merchandise, until a sale is billed and collected in full. Not until this cycle is complete, can there be any profit.

It is not the purpose of this article to teach the reader how to do cost accounting. Even though schools slight the subject of cost accounting, at least a whole semester is devoted to the subject in the briefest courses. However, it is hoped this article will stimulate enough thinking on the subject to result in some determined efforts to learn more about it.

Bearing in mind that the only difference between manufacturing and merchandising is that, in manufacturing, labor and other costs are applied to materials to change their form (conversion); whereas, in merchandising, labor and other costs are applied to materials (warehousing) which remain in substantially the same form. Therefore, all the suggestions given herein will apply to any business.

Cost Accounting:

Cost accounting will require the following:

1. A plan of what, where, and how to sell.
2. A determination of sources of supply.
3. A study of all costs, including the cost of the merchandise and of all the activities of the business in relation to the merchandise.
4. A study of what the merchandise can be (or should be) sold for item by item as well as in total.
5. A complete master budget based on all the foregoing factors.
6. A system of standards and reports to be used as "tools of control" by management.
7. A philosophy or attitude of mind, which relates expense to business activity, and which must permeate, not only a part, but the entire organization.

Now let us briefly explore the steps just outlined.

A Plan of What To Sell:

Planning what to sell, probably brings to mind many different ideas. It can mean market research, but in most cases, it isn't necessary to go that far. We are assuming that the readers will be marketing or selling radio products of various kinds and any allied lines which have already been established. For the most part it isn't necessary to search for what you are going to sell. The real search will be to determine how much. This search will have to be approached after the war from the standpoint of employment obligations.

The determination of "how much," should be in detail. In fact, it must be. It should also indicate, approximately, in what months sales normally should be made. With this knowledge, a production schedule (if a manufacturer) or a purchase schedule (if a merchandiser) can be made, and used as a basis for operations. However, before commitments are made, a study of the profit results should be made because changes may be necessary to insure a satisfactory result.

The Source of Supply:

In the case of a manufacturer there is nothing to decide; however, if a merchandiser, there are many problems. A large merchandiser may have to decide whether to buy or become a manufacturer and make. This is how some manufacturers got started.

In most cases, unless a merchant is a specialty merchandiser—handling only one line, and therefore only one source—he will have the problem of deciding on several different sources.

A Study of the Cost Involved:

Here is where the subject of costs becomes quite involved. Presumably the business, we are considering, has had a pre-war experience. Based on the pre-war experiences and records, there should be ample data for a complete study of costs; for the purpose of this article the problem of trying to forecast a post-war price level will be ignored in order to establish a procedure that would be followed in a going business.

The data available should enable the management to set standards of performance and standards of cost for every function and every operation of the business. To be specific this means there should be standards for the following:

1. **Material:**
   (a) Quantity to use.
   (b) Price to pay.
2. **Labor:**
   (a) Time to be allowed for performance of each operation.
   (b) Rates to be paid to labor and the time required for each operation.
3. **Factory Expense Standards:**
   (a) Fixed amounts—those amounts which remain approximately the same, month after month, regardless of activity levels.
   (b) Variable rates—rates that remain the same but which can be multiplied by the activity level so as to allow amounts, commensurate with the activity, as its level changes.
4. **Administrative Expense Budgets:**
   (Fixed).

5. **Selling Expense:**
   (a) Fixed amount budgeted.
   (b) Variable Rate (this allows for commission arrangements).
6. **Standard Sales Prices for Every Item To Be Sold.**
7. **Non-Operating Items Budget.**

With complete standards on every one of the above elements and for every item and every operation, an intelligent plan of operation can be shaped up, and cost accounting for control can begin to function.

The space allotted for this article will not permit illustrating, or telling all the details necessary to set standards of cost for all the above. It is hoped that enough interest will be stimulated to bring about further research on the subject of:

1. How to set the standards.
2. How to use the standards once they are set.

A Study of What the Merchandise Should Be Sold For:

A study that will help to set a selling price may involve some market research. How extensive this needs to be, depends on the problem and the amount that management is willing to spend. However, the most important factors in determining what price should be charged for merchandise, are the cost factors. The cost factors have just been listed in the preceding section. If all the factors or elements listed there have been carefully studied, standards set, and modified by good business judgment, then a price can be set which will insure a reasonable return to the business.

Now, it is at this point where the market or field information should begin to enter the price considerations. This field information may require that a smaller margin be taken on certain models if they are kept in the line, or that they be dropped. This is where good business judgment, supplemented with some basic facts, must be used.

Prices established in this manner are bound to be more sound than prices set by a competitor's activity in the market.

The Complete Master Budget:

When the master budget is made up, it may indicate that the selling prices, that have just been established in the previous section, may have to be revised. They should never be considered final until they have been checked by the master budget. A master budget cannot be final until after prices are established. In other words, sales prices and the master budget figures will have to be tentative until one proves the other.

A master budget means a complete budget of profit and loss, for all operations of the business, so that it is possible to see whether or not, assuming an agreed-upon, predetermined volume, the results obtainable will be satisfactory. If the first budget summary does not indicate satisfactory results, the factors to be considered are the following:

1. Sales price—can we increase the prices?
2. Sales volume—can we sell more?
3. Sales assortment—can we sell a larger proportion of the higher margin models?
4. Advertising policy—should we spend more on advertising?
5. Design and manufacturing costs—can we simply design and reduce costs?

6. Administrative and selling fixed costs—are our allowances too liberal?

All the above are of vital importance and should be given the serious attention of the managerial group. They are cost accounting problems, although they seem far removed from the calculation of the factory-unit-cost of an article. Only after all the facts just enumerated have been decided, can a master budget be made final for a budget period. The master budget, even after certain adjustments, still may not be satisfactory, but at least it will be known that it is the best obtainable, under the then known circumstances. It will point the way and high-light the facts that must be watched by the different members of management—each one according to his own responsibility.

A System of Standards:

A complete set of standards and a master budget, even though accepted and approved by the management, is still only half of the job of cost accounting. There are still two additional requirements.

1. A means of measuring the actual performance by the standards and a system that will report any differences (called variances).
   (a) what caused it (cause).
   (b) where did it occur (source).
2. A management (the supervisors) that will do something about differences—
   (a) by correcting or eliminating the causes.
   (b) by correcting (if correction cannot be made) and at least knowing what the cause is and why nothing can be done.

The means of measuring actual performance are varied and many. Details will vary and because of that fact there is no one-and-only way of accomplishing it. There will be no attempt to describe or illustrate any system. Instead, a few principles will be outlined.

Material Performance:

Purchase Price—Determine and separate the purchase price variance as soon as possible. This should be done at a time material is received. It is at this point that a price gain or loss has occurred. This is the source. If it is done at this point the matter of price variance can be forgotten throughout the rest of the accounting procedures. It simplifies the accounting and materially reduces the clerical work.

Material Usage:

Material usage means the difference between the quantity shown on the bill of material and that actually used. If more is used, there is a loss. The only reason for using more is to replace spoilage. Some few materials can be wasted (paint spilled on the floor, for example) but usually, materials can only be wasted by spoilage, damage, etc., caused by carelessness, and, of course, additional materials must be obtained to replace them so that the number of units, that must be produced, is complete.

In order to control material usage (or spoilage) some system of physical control must be developed. No system of records will ever give control. No system of records, without the physical controls, will ever furnish reports to management of the spoilage, replacements, etc. Hence, it is essential that no additional material be obtainable for use in production

without a record first being made, showing the quantity required and the reason, and approved by someone in a general supervisory position. Even this is not a guarantee in actual practice because of common parts and repetitive production releases, which make possible the borrowing of common parts from another job and thereby delaying the day of reckoning.

Labor Performance:

In order to obtain labor performance (efficiency) it is necessary to set up a mechanism that will insure accurate counts of every piece produced in terms of correct part number and operation. How far it is necessary to go, in detailing operations, will depend on the views held by the factory management.

Efficiencies can be measured by—

1. Plants.
2. Departments.
3. Processes.
4. Groups.
5. Men individually.
6. Each operation.
7. Each man and operation.

Reported efficiencies on each man and operation, will no more control costs than no report at all if the foremen and management in general do not have the right attitude. If a foreman is really a foreman, and knows his job properly, it will matter little whether the efficiency reports show performance by men, operations, groups, or departments.

However, the reports will be necessary for record purposes regardless of whether the foreman needs or uses them.

Factory Expense Performance:

Factory expense is made up of:

1. Fixed Expense.
2. Variable Expense.

There is no scientific way of determing the amount of fixed expense.

However, a rule to use is: Fixed Expense is the irreducible minimum necessary to keep an operating organization when there is no business.

The variable expense should be in direct ratio to the standard labor-dollar or hour. Then the allowed amount of expense each month would be: Fixed Expense plus the result of the Variable Rate, multiplied by the standard labor for the month. This results in a true, flexible budget. (Details of how to do this would require more space than allotted to this entire article!)

Profit and Loss Performance:

The profit and loss statement should be so designed that it will show performance of the business compared with a flexible budget. It should actually be the same as if all the cost sheets for all the items, sold each month, were extended by the quantities of each item sold, and all of them added together.

A Philosophy or Attitude of Mind:

The essence of cost control is really much more than a system of standards, budgets, and reports. It is a particular philosophy or attitude of mind that looks at costs as something that must be determined in ad-

vance, based on allowed amounts measured by production-to-be and not by production-that-has-been.

The attitude just expressed must permeate the entire organization before real success can be achieved.

Cost accounting for cost control and the right attitude toward it must be taught to management and worker alike. This is all cost accounting with the achievement of such a goal, cost accounting will be ready for post-war problems.

(N.B.—Acknowledgment is hereby made to H. J. Meyers for much of the research contained in this story).

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